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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Toots Lapata-Victorson 

DATE: January 22, 2004

SUBJECT: Educational Loan Notes

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### MGA OFFERS NEW LOAN SERVICING OPTION

The Michigan Guaranty Agency (MGA) is pleased to offer a new loan servicing option for schools and borrowers. Beginning in June 2004, Great Lakes Educational Loan Services, Inc. (Great Lakes) will service loans with an MGA guarantee. This timing will give schools the opportunity to support the state programs by taking advantage of student loans with an MGA guarantee and Great Lakes servicing for the 2004-05 academic year.

As we do with our other loan servicing partners (Access Group, Citibank, Nelnet, Sallie Mae, etc.), MGA will maintain student loan guarantee information on our database. The loan servicing information will be maintained on the Great Lakes system.

A school's choice of lender codes determines the loan servicer for their borrowers' loans. This can be confusing as a preferred lender may have multiple codes from which to select. If schools have any questions concerning their preferred lenders and the lender code(s) used for a specific servicer, they should contact their lender representative.

MGA continually strives to offer schools and their students the very best options in student loans. Therefore, we are pleased that we can now offer one more option through the addition of Great Lakes servicing to the other national servicing organizations with which we partner. If you have any questions concerning this information, please contact Janet McKeown at 1-800-642-5626, extension 51723.

**Note to lenders: If you have a unique lender code for use with Great Lakes Servicing, please contact Betty Calloway, Lender Services Specialist, at extension 39639 to ensure that you have signed agreements with MGA for that lender code.**

### NEW PROCEDURE ADDRESSES PRIVACY AND IDENTITY THEFT ISSUES

Recent legislation passed by several states has led MGA and our servicer, Sallie Mae, to take further steps to protect the privacy of our borrowers. Concerned with identify theft, much of the legislation has centered on eliminating the use of a person's Social Security Number (SSN) as a login/user ID or account number on any type of correspondence or transaction. In addition, for any entity requesting a borrower's credit report, the address on the credit report must match the address on file for the requestor.

Because of this recent legislation, our servicer implemented some changes to the guarantee engine system. When a school transmits for a preapproval or a standard PLUS loan credit check, the system now verifies that the address

*(Continued on the next page.)*

on the system matches the address on the credit report. If the address matches, the loan guarantees. If the address does not match, the loan suspends and the school receives a response file with the following message: "Loan Request Suspended for California Credit Legislation."

When a loan suspends due to an address discrepancy, the following procedure is followed:

1. For two business days MGA's servicer, Sallie Mae, will attempt to reach the borrower by telephone. If they connect, the borrower will be asked to provide documentation (i.e., driver's license, utility bill, mortgage statement, bank statement, etc.) to verify their address. The borrower can either mail or fax the documentation to Sallie Mae.
2. If Sallie Mae is unsuccessful in connecting with the borrower, the loan moves from "suspend" to "withdrawal" status. Letters are sent to the borrower and to the school informing them that the borrower's loan cannot be processed because of the inability to verify the identity of the borrower. The letter requests that the borrower send documentation to Sallie Mae to resolve this issue.

If you have any questions concerning this new legislation or the procedure that is in place, please contact Linda Sanchez, Customer Services Manager, at extension. 39599, or via email at [sanchezLR@michigan.gov](mailto:sanchezLR@michigan.gov).

### **OPENNET/NETWIZARD ENHANCEMENTS**

Effective November 17, 2003, several new changes to Sallie Mae's OpenNet/NetWizard were implemented. These changes were based on customer input and are designed to enhance the overall customer experience.

#### **New Security System and Log-in Process for Borrowers**

To protect the borrower's privacy Sallie Mae has implemented security enhancements nationwide. These changes will affect the log-in process for all Sallie Mae systems. Users will be required to create a login ID, password, and select a challenge question and answer in order to be directed to the appropriate site. In addition, borrowers will be

required to include an email address. Borrowers are strongly encouraged to establish an email account. Updates and password resets will only be done by email.

These enhancements will impact borrowers that use:

- OpenNet/NetWizard online counseling
- GetLoanStatus borrower account information
- Online applications through OpenNet and OpenNet/NetWizard

#### **New Security System and Log-in Process for Schools**

Schools that have switched from OpenNet/NetWizard or OpenNet/Laureate to OpenNet will need to create a password and select a challenge question and answer. This new log-in process will affect each OpenNet user.

These changes will impact schools that use:

- Online counseling
- Online application
- Guarantee, Disbursement, and Servicing Data (GDSD)
- Custom Reporting

#### **Web Loan Delivery (WLD) for OpenNet Users**

- **Reusable notes** – A new feature will check for reusable Stafford notes earlier in the borrower flow process, thus reducing the number of pages in the navigation flow. If a reusable note is found, the borrower is navigated directly to the Finish Page. *The PLUS MPN flow will remain unchanged since student information and a credit check are necessary.*
- **New view/updates links** – "View Details" and "View Update" links have been added to the Pre-Disbursement/Disbursement Query. Users can navigate to the details page and return to the query results list. Once users have navigated through the change process, a line item in which loan data may have been changed will be "flagged."
- **Additional self-service functionality for school administrators** – This change allows schools the option to review or modify general school information, service and component maintenance, user maintenance/user rights, general maintenance, and school-initiated time-out options for application processing setup.

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- **Loan periods options** – Adding this feature in the Stafford flow will assist school users who wish to query by loan periods. In addition, options will be provided on how loan periods should display for the borrower for both Stafford and PLUS flows. Schools may elect to receive up to two email notifications per year as a reminder to update loan periods and other self-service activities.
- **Private credit enhancements** – When both a FFELP and private credit application are created, the OpenNet WLD will pass demographic information entered during the FFELP flow to the private credit pages, thus reducing data entry.
- **File management system** – Schools will be able to view additional database history of a file and its related activities. Business edits have been added to the file management system, enhancements have been made to the internal reconciliation process, the Change Send Files have been improved in a user-friendly format, and the “Mark as Test” feature has been simplified.

#### **New Entrance Counseling Functionality for OpenNet/NetWizard Users**

OpenNet/NetWizard schools will find a new functionality affecting entrance counseling for students. Schools now have the option to require students to complete student loan counseling *prior* to completing an online loan application if they have not previously completed entrance counseling. Schools also will be able to select any of the entrance counseling options for both borrower-initiated and school-initiated applications. This added functionality provides schools with more flexibility and greater control in ensuring that students thoroughly understand the rights and responsibilities of borrowing loans *before* completing the loan application.

#### **Additional Enhancements**

- **Borrower packets for check disbursements** - Regardless of the disbursement method schools select, they may now request that the “Notice of Loan Guarantee/History Summary” and “Plain Language Disclosure” be sent directly to students receiving check disbursements. (*This service previously existed only for EFT disbursements.*)
- **Addition of current interest rate to disclosures** - Borrowers will see added information that includes current interest rate

margin, current index, current interest rate, repayment margin, and repayment interest rate.

- **Credit pre-approval enhancement** - A new profile addition lets schools request an application be sent to the borrower at the time of credit approval.
- **Updated text to alert “customer is pending for a credit check”** - The text message displayed when a credit check is pending has been modified. Schools and borrowers will be able to view this message.
- **Ability to print all origination applications via laser printers** - Schools will find improved printing quality for their loan applications with this new capability.
- **Master Promissory Note printing improvements** - Schools can now request that MGA print and mail an application to the borrower within a specified number of days prior to the Loan Period Begin Date. They can also choose that a completed application be returned to the lender, to the lender servicer, to the guarantor, to the guarantor servicer, or to the school itself.

To obtain additional details on these enhancements, schools may contact the Electronic Services Unit at 1-800-348-4606. For general information about these enhancements, please contact Flora Boles at 1-800-642-5626, extension 52882, or via email at [bolesf@michigan.gov](mailto:bolesf@michigan.gov).

### **INTERACTIVE VOICE RESPONSE SYSTEM**

Implementation of a new interactive voice response (IVR) system for MGA’s Collections area is slated for this summer. The IVR will allow our defaulted borrowers to help themselves to a variety of automated services. After going through a short verification process, callers will be allowed access to their account information. Borrowers will have the ability to make payments on their defaulted loan(s); request a letter (paid-in-full, good standing, etc.); request a copy of their payment history; verify balance information and status of their account; and access information related to credit reporting, the Taxpayer Relief Act, and loan forgiveness. The new IVR system is expected to expedite the calls coming in to our Collections section and enhance the services we offer to our borrowers.

**FISCAL YEAR 2002**  
**COHORT DEFAULT RATE CALCULATIONS**

One of the primary functions of the National Student Loan Data System (NSLDS) is the computation of school Cohort Default Rates (CDRs) for the Federal Family Education Loan Program (FFELP) and the Federal Direct Loan Program (FDLP). Every year schools participating in FFELP or FDLP are evaluated to determine the percentage of their borrowers who entered repayment during the federal fiscal year and who then defaulted before the end of the next federal fiscal year.

Under the electronic CDR (eCDR) process, NSLDS delivers CDR notification packages twice a year (draft and official) to domestic schools via their Student Aid Internet Gateway (SAIG) mailboxes. NSLDS will calculate draft and official fiscal year (FY) 2002 cohort default rates according to the following schedule:

**Draft FY 2002 rates:**

Calculate: January 10, 2004  
Release: February 17, 2004

**Official FY 2002 rates:**

Calculate: August 7, 2004  
Release: September 13, 2004

If you have any questions or concerns regarding the eCDR, please contact Dan Tryon at extension 34981, or via email at [tryond@michigan.gov](mailto:tryond@michigan.gov).

**SPECIAL ALLOWANCE RATES**

Special Allowance rates based on the 91-day Treasury Bill (T-bill) average and the three-month commercial paper (financial) average for the quarter ending December 31, 2003, are attached to this issue of *Educational Loan Notes*. The average of the bond equivalent rates of the 91-day T-bills auctioned during the quarter ending December 31, 2003, is **.93%**.

All new FFELP loans disbursed on or after January 1, 2000, are paid special allowance, if eligible, based on the commercial paper rate. The average of the bond equivalent rates of the quotes of the three-month commercial paper rates in effect for each of the days in the quarter ending December 31, 2003, is **1.09%**.

**SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated August 6, 2003. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

**Contact Name Change**

**Siena Heights University, Adrian, 002316-00,**  
Change Pam Sheahon to Carlene Staton. Carlene is the Financial Aid Specialist, her telephone number is 517-264-7132, and her email address is [cstaton@sienahts.edu](mailto:cstaton@sienahts.edu).



### Q & A

(Note the following is an excerpt from the Frequently Asked Questions section on the eZ – Audit Web site. The complete list can be accessed at [www.ezaudit.ed.gov](http://www.ezaudit.ed.gov).)

#### **What is eZ – Audit?**

eZ – Audit will provide schools with a paperless single point of submission for financial statements and compliance audits through the web. It will make the reporting process much easier for you and help Federal Student Aid (FSA) better service your needs. The application will be easy to use.

A designee from your school will simply sign on to eZ – Audit, enter summary audit and financial data directly from your report into a web form, attach an electronic version of the report, and hit the submit button. Your submission through eZ – Audit will allow for more rapid and efficient processing by the Department of Education (ED) and therefore provide you with more immediate feedback.

#### **Is eZ – Audit required?**

Yes. eZ – Audit is required, effective June 16, 2003. If your audit was due on or after June 16, 2003, you must submit via eZ – Audit. Please note that the date of your audit has not been changed.

#### **How can I register with eZ – Audit?**

eZ – Audit registration is now available! Schools must register in order to gain access to eZ – Audit.

You can access registration instructions from the eZ – Audit website at [www.ezaudit.ed.gov](http://www.ezaudit.ed.gov) or on Information for Financial Aid Professionals (IFAP) at [www.ifpa.ed.gov](http://www.ifpa.ed.gov). To register, FSA is requesting that you mail in a registration request letter with information such as the First and Last Name of your Institutional Administrator (person you designate to manage your access to eZ – Audit), email address, OPE ID, phone and fax number and fiscal year end date.

#### **How does eZ – Audit work?**

1. Your school submits its compliance audit data and summary financial data via an Internet web form.
2. Your school also attaches an electronic copy of your financial statement and compliance audit in a non-editable pdf format (using Adobe Acrobat).
3. The eZ – Audit system automatically forwards flagged financials and deficient audits to FSA's Case Management Team for resolution.
4. Case Teams communicate with you to reach resolution.
5. As desired, you can periodically check eZ – Audit for the status of your reports.

#### **How does eZ – Audit benefit you?**

- You will receive instant acknowledgement of receipt – no more lost reports!
- You will no longer need to make any copies or send reports in the mail to ED.
- Processing times will be greatly reduced, thus allowing for remediation of findings.
- Web forms will contain pre-populated fields.
- There are no new reporting requirements – data entry will be limited to the same data already contained in the reports.
- The time spent submitting these forms should be less than 1 hour.
- Status of your submissions will be accessible to you online at anytime.
- A Help Desk will be available for assistance.

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**Do I still need to submit a hard copy to ED?**

No, if you use eZ – Audit, ED will no longer need any hard copies from you. However, please note that if you are an A-133 school you will need to submit to both eZ – Audit and to the Federal Audit Clearinghouse.

**Is training and technical assistance available?**

Yes, a “Step-by-Step Guide to Using eZ – Audit” is posted to IFAP. There is also technical assistance available to users through a telephone hotline 1-877-263-0780 and an email address at [fsaezaudit@ed.gov](mailto:fsaezaudit@ed.gov).

**Who at my school will use eZ – Audit?**

- *eZ-Audit Institution/School Administrator*, selected by your school, is responsible for:
  - Registering your school with eZ-Audit
  - Providing/managing access to data entry and submission approval personnel, as identified by your school
  - Maintaining security information regarding schools users as required
- *eZ-Audit Data Entry Users*, selected by your school, are responsible for:
  - Entering data into the eZ-Audit system
  - Attaching non-editable, pdf files of audited financial statements and compliance audits
- *eZ-Audit Submission Approvers*, selected by your school, are responsible for:
  - Reviewing the submission prior to “submit”
  - Approving the submission via the “submit” action

**What type of software/technology do I need to support eZ – Audit?**

eZ – Audit will be a web-based application so you will not need to load a new application on your computer. You will simply need to ensure that you have an Internet browser – either Netscape 4.76 or 6.2 or Internet Explorer 5.0.

Additionally, you will need to ensure that you, or the individual attaching your financial statement and compliance audit, have access to Adobe Acrobat Writer, as all submissions must be attached in a non-editable pdf format.

**How do I get an Adobe Acrobat, pdf version of my submissions?**

eZ – Audit requires you to attach a non-editable pdf version of your annual submissions. Adobe Acrobat must be used to create this attachment. You have several options for obtaining Adobe Acrobat:

- Purchase Adobe Acrobat 5.0 software that will allow you to scan paper copies of your submissions and convert them to pdf. (The retail cost of the software is approximately \$250.)
- Convert an electronic version of your submission (Word, Excel, etc) to pdf format using [www.adobe.com](http://www.adobe.com) online. (Adobe provides this conversion capability for \$9.99 for one month with unlimited use.)
- Bring paper or electronic copies of your submissions to your local copying center (Kinkos, etc) and request that they create a pdf version of your submission. (The cost of this option will vary, however \$30 - \$50 is a reasonable estimate.)

**I have more questions, who should I talk to?**

You can send an email to [fsaezaudit@ed.gov](mailto:fsaezaudit@ed.gov) or contact the eZ – Audit hotline at 1-877-263-0780.

**\*Please refer to the May 16, 2003 Federal Register notice implementing the new electronic process for submitting financial statements and compliance audits electronically to the Department of Education.**

**\*Please visit [www.ifap.ed.gov](http://www.ifap.ed.gov) (Go to Publications Section, click on “audit Guidance” for more information) or [www.ezaudit.ed.gov](http://www.ezaudit.ed.gov).**

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# Calendar of Upcoming Events

## January 2004

25-28 MSFAA Winter Conference  
Marriott Pontiac at Centerpoint  
**Pontiac, Michigan**

## February 2004

10 Guaranty Agency Advisory Committee Meeting  
University Club  
Michigan State University  
East Lansing, Michigan

10 Mapping Your Future Daytime Chat  
for Financial Aid Professionals

16 MGA Office Closed

## March 2004

9 Mapping Your Future Evening Chat  
for Adult Students

29-31 ED Spring Conference  
Sheraton New York Hotel and Towers  
New York, New York

**If you need further information or wish to submit items for the calendar, please contact  
Jim Peterson, Editor, at extension 36944, or via e-mail at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).**

# LOAN NOTES

## January 2004

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**91-DAY TREASURY BILL  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING DECEMBER 31, 2003**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
<b>SA</b>	7% 9%	0 0	0 0	<b>SA - for loans made before 10/01/81.</b>
<b>SB</b>	7% 8% 9%	0 0 0	0 0 0	<b>SB - for Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86 or loans made on/after 10/17/86 but before 11/16/86, for enrollment periods beginning before 11/16/86.</b>
<b>SD</b>	7% 8% 9% FVAR10 (5.01%)  PLUS/SLS Var (5.38%)	0 0 0 0  0	0 0 0 0  0	<b>SD - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92.</b>
<b>SE</b>	FVAR7 (4.86%) FVAR8 (4.86%) FVAR9 (4.86%) FVAR10 (4.86%) EVAR (4.86%)  PLUS/SLS Var (5.23%)	0 0 0 0 0  0	0 0 0 0 0  0	<b>SE - for Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92 but before 07/01/94. Also, for SLS loans made on/after 10/01/92 but before 07/01/94; or <i>certified</i> before 07/01/94 and <i>disbursed</i> after 07/01/94.</b>
<b>SG</b>	Stafford Var (4.86%)  PLUS Var (5.23%)	0  0	0  0	<b>SG - for Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94 but before 07/01/98.</b>
<b>SH</b>	Stafford Var (4.26%)  PLUS Var (4.86%)	0  0	0  0	<b>SH - for Stafford loans made on/after 07/01/95 but before 07/01/98 <i>only</i> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.</b>
<b>SJ</b>	Stafford Var (2.82%)	.0033	.000825	<b>SJ - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the in-school, grace, and deferment periods.</b>
<b>SK</b>	Stafford Var (3.42%)	.0033	.000825	<b>SK - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the repayment and forbearance periods.</b>

**PLEASE NOTE:** The 91-day T-bill average (bond equivalent rate) is .93% for the **fourth** quarter of 2003. This results in the following yields:

<b>SA</b> .93% plus 3.50% = 4.43%	<b>SG</b> .93% plus 3.10% = 4.03%
<b>SB</b> .93% plus 3.50% = 4.43%	<b>SH</b> .93% plus 2.50% = 3.43%
<b>SD</b> .93% plus 3.25% = 4.18%	<b>SJ</b> .93% plus 2.20% = 3.13%
<b>SE</b> .93% plus 3.10% = 4.03%	<b>SK</b> .93% plus 2.80% = 3.73%

**91-DAY COMMERCIAL PAPER  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING DECEMBER 31, 2003**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>CA</b>	Stafford Var (2.82%)	0	0	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, <b>only</b> during the in-school, grace, and deferment periods.
<b>CB</b>	Stafford Var (3.42%)	0	0	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, during the repayment and forbearance periods <b>only</b> .
<b>CD</b>	PLUS Var (4.22%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00 but prior to 07/01/06. <b>Note:</b> special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

**PLEASE NOTE:** The three-month Commercial Paper average (bond equivalent rate) is **1.09%** for the **fourth** quarter of **2003**. This results in the following yields:

<b>CA</b> 1.09% plus 1.74% = 2.83%
<b>CB</b> 1.09% plus 2.34% = 3.43%
<b>CD</b> 1.09% plus 2.64% = 3.73%